

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
SCHOOL DISTRICT OF
BOROUGH OF PALISADES PARK
COUNTY OF BERGEN, NEW JERSEY
JUNE 30, 2018**

TABLE OF CONTENTS

	Page <u>No.</u>
Independent Auditors' Report.	1
Scope of Audit.	2
Administrative Practices and Procedures	
Insurance.	2
Officials Bonds.	2
Tuition Charges.	2
Financial Planning, Accounting and Reporting	
Examination of Claims.	2
Payroll Account.	3
Position Control Roster.	3
Reserve for Encumbrances, Liability for Accounts Payable.	4
Classification of Expenditures.	4
Board Secretary's Records.	4
Fixed Assets.	5
Elementary and Secondary Education Act (E.S.E.A.) as Amended by the Every Student Succeeds Act (ESSA).	5
Other Special Federal and/or State Projects.	5
T.P.A.F. Reimbursement.	6
T.P.A.F. Reimbursement to the State for Federal Salary Expenditures.	6
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids....	6
School Food Service.	7
After School Child Care.	8
Student Body Activities.	8
Application for State School Aid.	9
Pupil Transportation.	9
Testing for Lead of All Drinking Water in Educational Facilities.	9
Status of Prior Year Audit Findings/Recommendations.	9
Acknowledgment.	10
Schedule of Meal Count Activity.	11
Net Cash Resources Schedule.	13
Schedule of Audited Enrollments.	14
Excess Surplus Calculation.	17

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, NJ 07860
973-579-3212
Fax 973-579-7128

REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Borough of Palisades Park School District
County of Bergen, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Borough of Palisades Park School District in the County of Bergen for the year ended June 30, 2018, and have issued our report thereon dated February 11, 2019.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of the Borough of Palisades Park Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Steven D. Wielkotz

Steven D. Wielkotz, C.P.A.
Licensed Public School Accountant
No. 816

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

February 11, 2019

**ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING**

GENERAL COMMENTS

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, the activities of the Board of Education, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20 of the District's CAFR.

Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Paul Stabile	Business Administrator	\$250,000
Diane Montemurro	Board Secretary	\$125,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were different than estimated costs. The Board made proper adjustments to the billings to sending districts for the changes in per pupil costs in accordance with N.J.A.C. 6A:23-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims submitted for payment for the period under review did indicate the following discrepancies with respect to signatures, certification or supporting documentation:

Finding 2018-01: There were instances in which Business Registration Certificates for those business entities utilized by the District were not provided for auditor review.

Recommendation: The Accounts Payable Department should obtain business registration certificates for all vendors that the District conducts transactions with.

Financial Planning, Accounting and Reporting, (continued)

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were not approved by the Superintendent and were not certified by the President of the Board and the Board Secretary/School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefit premiums amounts withheld due to the General Fund.

***Finding 2018-02:** W-4's for various employees were not available at time of audit.

***Recommendation:** The District review employee personnel files to ensure all proper payroll withholding documentation is maintained for all employees.

Finding 2018-03: Payroll for the pay periods between 12/22/17 & 6/15/18 were not approved by the school board in the meeting minutes.

Recommendation: All payrolls must be approved by the Superintendent and certified by the President of the Board and the Board Secretary or Business Administrator.

Finding 2018-04: A review of employee salaries revealed an employee received pay for a coordinator position which they were no longer approved for.

Recommendation: The District should establish internal controls to ensure that employees are receiving compensation for approved positions.

Reporting of employee compensation for income tax related purposes did comply with federal and state regulations regarding the compensation which is required to be reported.

The Board of Education did not make a merit bonus payment for which a quantitative merit criterion or a qualitative merit criterion had been satisfied and with prior approval by the District Board of Education and Executive County Superintendent, as required by N.J.A.C. 6A:23A-3.1(e)10.iv.

Position Control Roster

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

***Finding 2018-05:** An inquiry and subsequent review of the Position Control Roster found inconsistencies between the payroll records and the general ledger accounts to which wages are posted (salary versus stipend) and the Position Control Roster.

Financial Planning, Accounting and Reporting, (continued)

Position Control Roster, (continued)

***Recommendation:** The Board should establish internal control procedures to ensure that an annual or more frequent review of the Position Control Roster is performed to ensure proper and consistent financial reporting.

Reserve for Encumbrances, Liability for Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.2. As a result of the procedures performed, a transaction error rate of 2.12% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

***Finding 2018-06:** During our test of transactions, it was noted that the District, in some instances, misclassified expenditures for Fixed Assets-Capital Outlay as general expense purchases as well as operating lease expenditures not being allocated properly to the appropriate school based accounts.

***Recommendation:** The District should reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2015 Edition and other available reference materials, such as the Budget Guidelines, for the proper classifications required to be in compliance with N.J.A.C. 6A:23-2.3(f).

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed the following items:

Finding 2018-07: A review of the reconciled cash balances at year end for the General Fund, Payroll Agency and Capital Reserve accounts revealed that the bank reconciliations were not accurate. Numerous auditor adjustments were made to record transactions that were not reflected in the District's general ledger.

Recommendation: The Board Secretary conduct a review of all cash activity within the District's accounts on a monthly basis and ensure all transactions are recorded to ensure accurate bank reconciliations can be prepared and subsequently agreed to the general ledger.

Financial Planning, Accounting and Reporting, (continued)

Board Secretary's Records, (continued)

Finding 2018-08: Not all cash receipts were promptly deposited in the After School Child Care and Cultural Arts accounts in accordance with N.J.S.A. 18A:17-34, 18A:17-9.1.

Recommendation: Great effort be made to ensure deposits are made within a timely manner.

Finding 2018-09: There were various issues with the issuance of 1099's. Not all vendors received a 1099 nor were some of the 1099's issued in agreement with the amount paid. It was also noted that payments in lieu of health benefits are not being processed through payroll nor is a 1099 being issued.

Recommendation: Tighter controls be implemented to ensure that all taxable income is appropriately and accurately reported.

Fixed Assets

The general fixed asset records were updated for the additions and disposals of general fixed assets made during the year.

Finding 2018-10: Not all fixed asset additions were reflected in the District's yearly inventory.

Recommendation: District personnel should review all capital outlay purchases prior to year-end to ensure that all asset additions are forwarded to the inventory company for inclusion on the fixed asset report.

Elementary and Secondary Education Act (E.S.E.A.) as Amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I, II, III and VI of the Elementary and Secondary School Improvement Act as amended.

The study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the Federal and State funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

Financial Planning, Accounting and Reporting, (continued)

Other Special Federal and/or State Projects, (continued)

The financial exhibits are contained within the Special Revenue section of the CAFR. This section of the CAFR documents the financial position of the aforementioned special projects.

The study of compliance for the special projects indicated no areas of noncompliance.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for the district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-2 contains definitions for terms used throughout N.J.S.A. 18A:18A-1 et seq. It includes as subsection (p) the term 'competitive contracting', which is defined as "the method described in N.J.S.A. 18A:18A-4.1 through 18A:18A-4.5 and in rules promulgated by DCA at N.J.A.C. 5:34-4 of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel or school business administrator; and the board of education awards a contract to a vendor or vendors from among the formal proposals received." Also, subsection (aa) defines the term 'concession' to exclude vending machines.

N.J.S.A. 18A:18A-3(a) sets forth the bid threshold and requires award by board resolution. There is a higher threshold when there is a "Qualified Purchasing Agent" (QPA) in the district as defined at N.J.A.C. 5:34-1.1 and certified upon approval of an application submitted to DCA. Pursuant to N.J.S.A. 18A:18A-3(b), the bid threshold may be adjusted by the Governor, in consultation with the Department of Treasury, every five years.

N.J.S.A. 18A:18A-4.4 provides boards of education the authority to pass a resolution authorizing the use of competitive contracting. "In order to initiate competitive contracting, the board of education shall pass a resolution authorizing the use of competitive contracting each time specialized goods or services enumerated in sections 45 of L. 1999, c.440 are desired to be contracted."

School Purchasing Programs, (continued)

Contracts and Agreements Requiring Advertisement for Bids, (continued)

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agency) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,000.

The board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, amended.

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

***Finding 2018-11:** The district did not obtain at least two competitive quotations for an expenditure which was less than the bid threshold but more than 15% of that amount.

***Recommendation:** A minimum of two competitive quotes be obtained for all purchases in excess of the quote threshold and less than the bid threshold as required by the Public School Contracts Law N.J.S.A. 18A:18A-3[b] & N.J.S.A. 18A:18A-37[a].

Finding 2018-12: The use of state contracts was not authorized by board resolution as required by N.J.S.A. 18A:18A-10.

Recommendation: The board should adhere to the guidelines for the use of state contracts required by New Jersey Public School Contracts Law, N.J.S.A. 18A:18A-10.

School Food Service

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

School Food Service, (continued)

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with *N.J.S.A.* 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will break even. The operating results provision has been met. All vendor discounts, rebates and credits from the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the edit check worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced meals were reviewed for completeness and accuracy. The number of free and reduced meals claimed as served was compared to the number of valid applications or to the list of directly certified students on file, times the number of operating days, on a school by school basis. The free and reduced meal policy is uniformly administered throughout the School System.

Expenditures were separately recorded for food purchases, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

U.S.D.A. commodities were received and a separate inventory was maintained on a first in, first out basis. No exceptions were noted.

The school district maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

The statement of revenues, expenses and changes in net position (CAFR schedule B-5) does separate program and non-program revenues and program and non-program cost of goods sold.

Exhibits reflecting child nutrition program operations are included in the section entitled Enterprise Funds, Section G of the Comprehensive Annual Financial Report.

After School Child Care

The Board operates an After School Child Care program for Palisades Park residents. The operations of the program were reviewed and no exceptions were noted.

Student Body Activities

Cash receipts and disbursement records are maintained in satisfactory condition.

Cash disbursement had proper signatures and supporting documentation.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2017 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers with exception. The information that was included on the workpapers was verified with exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District maintained workpapers on the prescribed state forms or their equivalent.

The District has adequate written procedures for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2017-2018 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts.

Testing for Lead of All Drinking Water in Educational Facilities

The school district adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The school district did submit the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Status of Prior Year Audit Findings/Recommendations

A review was performed on all prior year recommendations and corrective action had been taken on all prior year findings with the exception of those marked with an “*”.

Suggestions to Management:

- A review of old, outstanding checks in the District's accounts be performed and a resolution cancelling these checks be approved, if necessary.
- The District is issuing “dummy” checks to record the wire transfers for the payment of health benefits. The District should inquire with the software company as to how to delineate a wire transfer in the system rather than a check number being assigned that is subsequently voided.

Acknowledgment

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

Steven D. Wielkotz

Steven D. Wielkotz, C.P.A.
Licensed Public School Accountant
No. 816

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

SCHEDULE OF MEAL COUNT ACTIVITY

**BOROUGH OF PALISADE PARK SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIMED - FEDERAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (Regular Rate)	Paid	81,313	35,219	35,217	(2)	0.310	\$ (1)
National School Lunch (Regular Rate)	Reduced	17,447	7,242	7,242		2.830	
National School Lunch (Regular Rate)	Free	<u>98,390</u>	<u>39,179</u>	<u>39,179</u>		3.230	
	Total	<u>197,150</u>	<u>81,640</u>	<u>81,638</u>	<u>(2)</u>		<u>(1)</u>
National School Lunch (Healthy Hunger-Free Kids Act)	HHFKA	<u>197,150</u>	<u>20,163</u>	<u>20,163</u>		0.06	
School Breakfast (Severe Needs Rate)	Paid	5,302	2,379	2,378	1	0.30	0
	Reduced	1,790	817	817		1.79	
	Free	<u>19,778</u>	<u>8,108</u>	<u>8,108</u>		2.09	
	Total	<u>26,870</u>	<u>11,304</u>	<u>11,303</u>	<u>1</u>		<u>0</u>
Total (Over)/Under Claim							\$ <u><u>(0)</u></u>

SCHEDULE OF MEAL COUNT ACTIVITY

**BOROUGH OF PALISADE PARK SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIMED - STATE
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
State Reimbursement - National School Lunch (Regular Rate)	Paid	81,313	35,219	35,217	(2)	0.050 \$	(0)
State Reimbursement - National School Lunch (Regular Rate)	Reduced	17,447	7,242	7,242		0.055	
State Reimbursement - National School Lunch (Regular Rate)	Free	<u>98,390</u>	<u>39,179</u>	<u>39,179</u>	<u> </u>	0.055	<u> </u>
	Total	<u>197,150</u>	<u>81,640</u>	<u>81,638</u>	<u>(2)</u>		<u>(0)</u>
Total (Over)/Under Claim							\$ <u><u>(0)</u></u>

**BOROUGH OF PALISADES PARK SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY -
ENROLLMENT AS OF OCTOBER 15, 2017**

Enrollment Category	2018-2019 Application for State School Aid						Sample for Verification						Private Schools for Disabled						
	Reported on ASOA		Reported on Workpapers		Errors		Sample Selected from Workpapers		per Registers On Roll		Errors		Reported on ASOA as Schools		Sample for Verification		Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Preschool	6		6				6					6							
Full Day Preschool	24		24				24					24							
Full Day Kindergarten	136		136				136					136							
One	139		139				139					139							
Two	135		135				135					135							
Three	135		135				135					135							
Four	131		131				131					131							
Five	107		107				107					107							
Six	98		98				98					98							
Seven	97		97				97					97							
Eight	115		115				115					115							
Nineth	96		96				96					96							
Tenth	120		120				120					120							
Eleventh	91		91				91					91							
Twelfth	98		98				98					98							
Subtotal	1,528		1,528				1,528					1,528							
Special Ed. Elementary	114		114				72					72			1		1		1
Special Ed. Middle	20		20				12					12					3		3
Special Ed. High School	34		34				21					21			4		5		4
Subtotal	168		168				105					105			5		4		4
Totals	1,696		1,696				1,633					1,633			5		4		4
Percentage Error																			

NET CASH RESOURCE SCHEDULE

PALISADES PARK BOARD OF EDUCATION

Net cash resources did not exceed three months of expenditures Proprietary Funds - Food Service FYE 2018

<u>Net Cash Resources:</u>		Food Service B - 4/5	
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$ 118,952
B-4		Due from Other Gov'ts	29,159
B-4		Accounts Receivable	107,222
B-4		Investments	
CAFR		Current Liabilities	
B-4		Less Accounts Payable	(101,757)
B-4		Less Accruals	
B-4		Less Due to Other Funds	
B-4		Less Deferred Revenue	
		Net Cash Resources	\$ 153,576 (A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	806,638	
B-5	Less Depreciation	(3,832)	
	Adj. Tot. Oper. Exp.	\$ 802,806	(B)

Average Monthly Operating Expense:

	B / 10	\$ 80,281	(C)
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Three times monthly Average:

	3 X C	\$ 240,842	(D)
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TOTAL IN BOX A	\$ 153,576	
LESS TOTAL IN BOX D	\$ 240,842	
NET	\$ (87,266)	
From above:		
A is greater than D, cash exceeds 3 X average monthly operating expenses.		
D is greater than A, cash does not exceed 3 X average monthly operating expenses.		

* Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form

SCHEDULE OF AUDITED ENROLLMENTS

**BOROUGH OF PALISADES PARK
BOARD OF EDUCATION**

Application for State School Aid Summary
Enrollment as of October 15, 2017

Year ended June 30, 2018

Enrollment category	Reported on A.S.S.A. as Low Income		Low Income		Sample for Verification			Resident LEP Low Income		Sample for Verification		
	Income	workpapers	Income	workpapers	Sample selected from workpapers	Verified to Application and Register	Errors	Reported on A.S.S.A as LEP low Income	Reported on Workpapers LEP low Income	Sample Selected from Workpapers	Verified to Test score and Register	Sample Errors
Half Day Kindergarten/Preschool	57	57	57	16	16	16		26	26	10	10	
One	74	74	74	21	21	21		34	34	21	18	3
Two	67	67	67	18	18	18		14	14	14	14	
Three	65	65	65	18	18	18		18	18	18	17	1
Four	70	70	70	19	19	19		17	17	16	17	-1
Five	45	45	45	12	12	12		9	9	8	8	
Six	50	50	50	14	14	14		5	5	5	5	
Seven	47	47	47	13	13	13		6	6	4	1	3
Eight	56	56	56	16	16	16		13	13	5	5	
Ninth	54	54	54	15	15	15		10	10	5	5	
Tenth	61	61	61	17	17	17		21	21	5	5	
Eleventh	49	49	49	14	14	14		25	25	5	5	
Twelfth	41	41	41	11	11	11		8	8	6	6	
Special Ed. Elementary	63	63	63	18	18	18		2	2	2	2	
Special Ed. Middle School	12	12	12	3	3	3						
Special Ed. High School	23	23	23	7	7	7						
	834	834	834	232	232	232		208	208	119	113	6
	834	834	834	232	232	232		208	208	119	113	6

Percentage _____ **Transportation** _____ **Re-calc.** 5.5

Category	Reported on DRTS by DOE/county		Reported on DRTS by District		Transportation			Reported	Re-calc.
	Errors	by District	Errors	by District	Tested	Verified	Errors		
Regular - Public Schools, col. 1	68	68	68	68	52	52	5.5	5.8	
Transported Non-Public	21	21	21	21	18	18	5.5	5.8	
Special needs, col. 6	89	89	89	89	70	70	5.5	5.8	
Totals									

Percentage _____

SCHEDULE OF AUDITED ENROLLMENTS

**BOROUGH OF PALISADES PARK
BOARD OF EDUCATION**

**Application for State School Aid Summary
Enrollment as of October 15, 2017**

Year ended June 30, 2018

Enrollment category	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.A as LEP Not low Income	Reported on Workpapers LEP Not low Income	Errors	Sample Selected from Workpapers	Verified to Test score and Register	Sample Errors
Full Day Kindergarten	27	27		18	18	
One	13	13		9	9	
Two	14	14		10	10	
Three	8	8		5	5	
Four	11	11		7	7	
Five	9	9		6	6	
Six	4	4		3	3	
Seven	3	3		2	2	
Eight	6	6		4	4	
Ninth	10	10		7	7	
Tenth	13	13		9	9	
Eleventh	11	11		7	7	
Twelfth	3	3		2	2	
Special Ed. Elementary	1	1		1	1	
Special Ed. Middle School						
Special Ed. High School						
	<u>133</u>	<u>133</u>		<u>90</u>	<u>90</u>	
	<u>133</u>	<u>133</u>		<u>90</u>	<u>90</u>	
Percentage						

PALISADES PARK BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>28,935,889</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ _____	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>3,563,481</u>	(B2a)
Assets Acquired Under Capital Leases	\$ _____	(B2b)
Adjusted 17-18 General Fund Expenditures [(B)+(B1's)-(B2's)]	\$ <u>25,372,408</u>	(B3)
2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02]	\$ <u>507,448</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>507,448</u>	(B5)
Increased by: Allowable Adjustment *	\$ <u>91,778</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]		\$ <u><u>599,226</u></u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-18 (Per CAFR Budgetary Comparison Schedule C-1))	\$ <u>2,821,570</u>	(C)
Decreased by:		
Year-end Encumbrances	\$ <u>110,164</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>528,660</u>	(C3)
Other Restricted Fund Balances****	\$ <u>1,343,991</u>	(C4)
Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures	\$ <u>45,003</u>	(C5)
Additional Assigned Fund Balance - Unreserved- Designated for Subsequent Year's Expenditures July 1, 2018 - August 1, 2018	\$ _____	(C6)*****
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		\$ <u><u>793,752</u></u> (U1)

PALISADES PARK BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION

SECTION 3

Restricted Fund Balance - Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 194,526 (E)

Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$	<u>528,660</u>	(C3)
Reserved Excess Surplus ***[(E)]	\$	<u>194,526</u>	(E)
Total [(C3) + (E)]	\$	<u><u>723,186</u></u>	(D)

- * Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:
- (H) Federal Impact Aid. The passage of P.L.2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2016 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve - General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);
 - (I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);
 - (J1) Extraordinary Aid;
 - (J2) Additional Nonpublic School Transportation Aid;
 - (J3) Recognized current year School Bus Advertising Revenue; and
 - (J4) Family Crisis Transportation Aid
- Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$	_____	(H)
Sale & Lease-back	\$	_____	(I)
Extraordinary Aid	\$	<u>91,778</u>	(J1)
Additional Nonpublic School Transportation Aid	\$	_____	(J2)
Current Year School Bus Advertising Revenue Recognized	\$	_____	(J3)
Family Crisis Transportation Aid	\$	_____	(J4)
Total Adjustments [(H)+{I)+(J1)+(J2)+(J3)+(J4)]	\$	<u>91,778</u>	(K)

** This amount represents the June 30, 2018 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amounts must agree to the June 30, 2018 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 90030.

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

***** Increase in Assigned Fund Balance - Unreserved-Designated for Subsequent Year's expenditures July 1, 2018 to August 1, 2018 resulting from decrease in state aid after adoption of 2018-19 district budget.

PALISADES PARK BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION

Detail of Other Reserved Fund Balance

Statutory restrictions:		
Approved unspent separate proposal	\$	
Sale/Lease-back reserve	\$	
Capital Reserve	\$	1,218,991
Maintenance Reserve	\$	125,000
Emergency Reserve	\$	
Tuition Reserve	\$	
School Bus Advertising 50% Fuel Offset Reserve - current year	\$	
School Bus Advertising 50% Fuel Offset Reserve - prior year	\$	
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$	
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$	
Other state/government mandated reserve	\$	
[Other Restricted Fund Balance not noted above]****	\$	
 Total Other Restricted Fund Balance	 \$	 1,343,991 (C4)

**BOROUGH OF PALISADES PARK
BOARD OF EDUCATION**

**AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Finding 2018-01: There were instances in which Business Registration Certificates for those business entities utilized by the District were not provided for auditor review.

Recommendation: The Accounts Payable Department should obtain business registration certificates for all vendors that the District conducts transactions with.

***Finding 2018-02:** W-4's for various employees were not available at time of audit.

***Recommendation:** The District review employee personnel files to ensure all proper payroll withholding documentation is maintained for all employees.

Finding 2018-03: Payroll for the pay periods between 12/22/17 & 6/15/18 were not approved by the school board in the meeting minutes.

Recommendation: All payrolls must be approved by the Superintendent and certified by the President of the Board and the Board Secretary or Business Administrator.

Finding 2018-04: A review of employee salaries revealed an employee received pay for a coordinator position which they were no longer approved for.

Recommendation: The District should establish internal controls to ensure that employees are receiving compensation for approved positions.

***Finding 2018-05:** An inquiry and subsequent review of the Position Control Roster found inconsistencies between the payroll records and the general ledger accounts to which wages are posted (salary versus stipend) and the Position Control Roster.

***Recommendation:** The Board should establish internal control procedures to ensure that an annual or more frequent review of the Position Control Roster is performed to ensure proper and consistent financial reporting.

**BOROUGH OF PALISADES PARK
BOARD OF EDUCATION**

**AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)**

2. Financial Planning, Accounting and Reporting, (continued)

***Finding 2018-06:** During our test of transactions, it was noted that the District, in some instances, misclassified expenditures for Fixed Assets-Capital Outlay as general expense purchases as well as operating lease expenditures not being allocated properly to the appropriate school based accounts.

***Recommendation:** The District should reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2015 Edition and other available reference materials, such as the Budget Guidelines, for the proper classifications required to be in compliance with N.J.A.C. 6A:23-2.3(f).

Finding 2018-07: A review of the reconciled cash balances at year end for the General Fund, Payroll Agency and Capital Reserve accounts revealed that the bank reconciliations were not accurate. Numerous auditor adjustments were made to record transactions that were not reflected in the District's general ledger.

Recommendation: The Board Secretary conduct a review of all cash activity within the District's accounts on a monthly basis and ensure all transactions are recorded to ensure accurate bank reconciliations can be prepared and subsequently agreed to the general ledger.

Finding 2018-08: Not all cash receipts were promptly deposited in the After School Child Care and Cultural Arts accounts in accordance with N.J.S.A. 18A:17-34, 18A:17-9.1.

Recommendation: Great effort be made to ensure deposits are made within a timely manner.

Finding 2018-09: There were various issues with the issuance of 1099's. Not all vendors received a 1099 nor were some of the 1099's issued in agreement with the amount paid. It was also noted that payments in lieu of health benefits are not being processed through payroll nor is a 1099 being issued.

Recommendation: Tighter controls be implemented to ensure that all taxable income is appropriately and accurately reported.

Finding 2018-10: Not all fixed asset additions were reflected in the District's yearly inventory.

Recommendation: District personnel should review all capital outlay purchases prior to year-end to ensure that all asset additions are forwarded to the inventory company for inclusion on the fixed asset report.

**BOROUGH OF PALISADES PARK
BOARD OF EDUCATION**

**AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)**

3. School Purchasing Programs

***Finding 2018-11:** The district did not obtain at least two competitive quotations for an expenditure which was less than the bid threshold but more than 15% of that amount.

***Recommendation:** A minimum of two competitive quotes be obtained for all purchases in excess of the quote threshold and less than the bid threshold as required by the Public School Contracts Law N.J.S.A. 18A:18A-3[b] & N.J.S.A. 18A:18A-37[a].

Finding 2018-12: The use of state contracts was not authorized by board resolution as required by N.J.S.A. 18A:18A-10.

Recommendation: The board should adhere to the guidelines for the use of state contracts required by New Jersey Public School Contracts Law, N.J.S.A. 18A:18A-10.

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings except those marked with an *.